

EXECUTIVE CHAMBERS

HONOLULU

July 8, 2008

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 2250

Honorable Members
Twenty-Fourth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 2250, entitled "A Bill for an Act Relating to Transportation."

The purpose of this bill is to establish a statutory scheme for the regulation of persons who provide air transportation service between any pair of points within the State of Hawaii, to the extent permissible under the Constitution and laws of the United States.

This bill is objectionable because there is a serious potential that the bill, if it becomes effective, will harm consumers and the market.

The bill will substitute regulation for competition, shield air carriers from competitive forces, and thereby likely lead to higher costs, higher prices, and reduced quality of service. The bill will make it more difficult for carriers to enter, serve new routes, alter their fares, or introduce new services or pricing models, and will thereby reduce the carriers' incentives to operate efficiently and compete. The underlying premise for the bill that regulation is necessary to ensure the maintenance of inter-island air transportation services is not substantiated by the fact that the four largest interisland routes are among the top domestic city pairs, based on passenger traffic within the United States.

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I am fully cognizant of the need for reliable inter-island air service in the State of Hawaii. I am, however, not convinced that a government-mandated regulatory scheme is warranted in light of the potential harm that the scheme could cause on consumers and the market.

For the foregoing reasons, I am returning House Bill No. 2250 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "Linda Lingle", is written over the printed name.

LINDA LINGLE
Governor of Hawaii